

Ohio's Tracks Face Wait For Slots

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Operators and legal observers are awaiting the outcome of this November's gubernatorial election before placing any bets on a timeline for the rollout of gaming machines at Ohio's seven racetracks.

The long-winded process to install video lottery terminals (VLTs) at Ohioan tracks will move on later today, when Ohio Lottery staff meets with leading slots providers to discuss proposed technical rules for the up-to-17,500 machines which could be permitted at racetrack venues.

Earlier this summer, the Ohio Lottery agreed to move towards introducing VLT gambling by adopting more general, [administrative rules](#) and by resolving to launch a friendly legal case to assert its authority to operate slots-like lottery machines.

That came one year after an earlier VLT initiative quarterbacked by the Buckeye State's Democratic Gov. Ted Strickland fell apart when the Ohio Supreme Court ruled [the governor lacked the authority](#) to expand gambling through an executive order, without voter approval.

Gov. Strickland remains supportive of VLTs, but with the one-time expanded gambling foe a high-profile target for the Republican Party in this November's election, operators are now hedging their bets on when and how racetrack slots will be introduced.

Penn National Gaming owns two of the seven racetracks in Ohio and warns that it might be some time before either Raceway Park or Beulah Park is permitted to install gaming machines.

"We're not exactly sure what's going to happen with VLTs in Ohio," Penn National's CFO, William Clifford, told investors at a Deutsche Bank-sponsored conference held in Scottsdale, Arizona earlier this month.

The race between Strickland and his Republican opponent, John Kasich, is already being seen as one of the most significant gubernatorial elections this year thanks to Ohio's status as a key swing state between Democrats and Republicans.

To date, gambling has not become an issue in the keenly-watched battle between Strickland and Kasich.

But in a final televised debate between the two opponents earlier in October, Kasich did suggest he would be unlikely to fast-track a VLT initiative as backed by Strickland.

"I know that Ohioans are mixed in their own feelings on that, and so am I," said Kasich on the topic of gambling expansion. "This is going to be an issue that we're going to spend some time thinking about."

Speaking last week in Arizona, Penn National's Clifford agreed a Kasich victory would be likely to slow down the moves towards VLTs.

Kasich currently has a marginal lead in most local polls, though the outcome is considered to remain in the balance.

"Whoever wins the election, things will move forward," Penn National's Clifford predicted.

"We believe if it's the existing governor (that wins) then things will move faster. If it's a new governor, I'm not sure it would be the first item on his agenda, so it could get drawn out a little bit longer. So, we're anxiously waiting to see what the election results are in Ohio."

When the Ohio Lottery approved VLT rules in July, it left out more specific technical requirements – to be [discussed today](#) – such as licensing approvals and fees for gaming equipment manufacturers, compliance testing procedures, and machine payout rates.

The lottery is also known to be working on an RFP to solicit bids for a central monitoring system for racetrack machines.

It has already sought to engage a consultant to assess the economic viability of racetrack VLTs under various tax and license fee models that have [yet to be firmed up](#).

"We're moving ahead, but only in a limited way," said Jeannie Roberts, the Ohio Lottery's communications director.

"The one thing we really don't have is a timeline."

Roberts also confirmed the lottery has yet to file the lawsuit to gain confirmation of its ability to expand towards slots-like gambling.

"We're not going to spend any real money until we get the legal clarification," she said.

The protracted moves toward racetrack gaming in Ohio come alongside the development of four major urban casinos which were [approved by voters on last November](#)'s ballot.

The casinos are expected to open in 2012, and Gov. Strickland last week named the [seven-member board](#) that will guide a newly-created regulatory agency, the Ohio Casino Control Commission.

The commission is mandated to introduce a series of regulations governing casino licensing and enforcement before mid-March of next year.

However, the appointees by the governor – including of local attorney and Strickland supporter Charles 'Rocky' Saxbe to serve as the commission's chair – are still subject to approval in the Ohio state Senate.

This has led to rumblings in the past few days that the casino regulatory process could also be held up in the event of a Kasich victory on November 2.

"It's a fluid dynamic," said Michael [Zatezalo](#), a Columbus-based attorney and gaming law expert with the firm of Kegler Brown Hill & Ritter.

"It won't be solved until after the election."